

Kyle Cooper, (713) 248-3009, Kyle.Cooper@iafadvisors.com

Week Ending September 1, 2017

Please contact me to review a joint RBN Energy daily publication detailing natural gas fundamentals.

Price Action: The September contract rose 17.8 cents (6.2%) to \$3.070 on an expanded 23.9 cent range.

Price Outlook: After a rare inside week last week, with neither a new high nor low, this week witnessed both a new high and low as the market dealt with Hurricane Harvey. The market will continue to deal with the impacts of Harvey and the industry assesses the longer-term implications as the flood waters recede. While the market will analyze each report regarding Harvey, the weather influence will begin to wane as we enter the shoulder season. Quite simply the demand differential between 69 and 70 degrees is minimal. National above average temperatures will soon be considered bearish. CFTC data indicated another reduction in the managed money net long position even as longs added but with shorts adding more. Total open interest fell to 3.692 million as of August 29. Aggregated CME futures open interest fell to 1.300 million as of September 1. Open interest in the October \$3.50 Call rose 9,549 to 97,042. Open interest in the October \$4.00 call rose 4 to 78,242. Open interest in the October \$2.50 put rose 3,195.

Weekly Storage: US working gas storage for the week ending August 25 indicated a working gas storage injection of 30 bcf. Working gas inventories rose to 3,155 bcf. Current inventories fall (246) bcf (7.2%) below last year while surpassing the 5-year average by 10 bcf (0.3%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 1 bcf smaller than the actual EIA implied flow and is back within our tolerance range. The 5-week summation of our error fell to 1 bcf and is within our tolerance. The EIA has reported a net implied flow of 175 bcf over the last 5 weeks compared to our estimated 174 bcf. Our forecast for early November inventories is now 3,789 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures at the end of the forecast will soon be considered bearish.

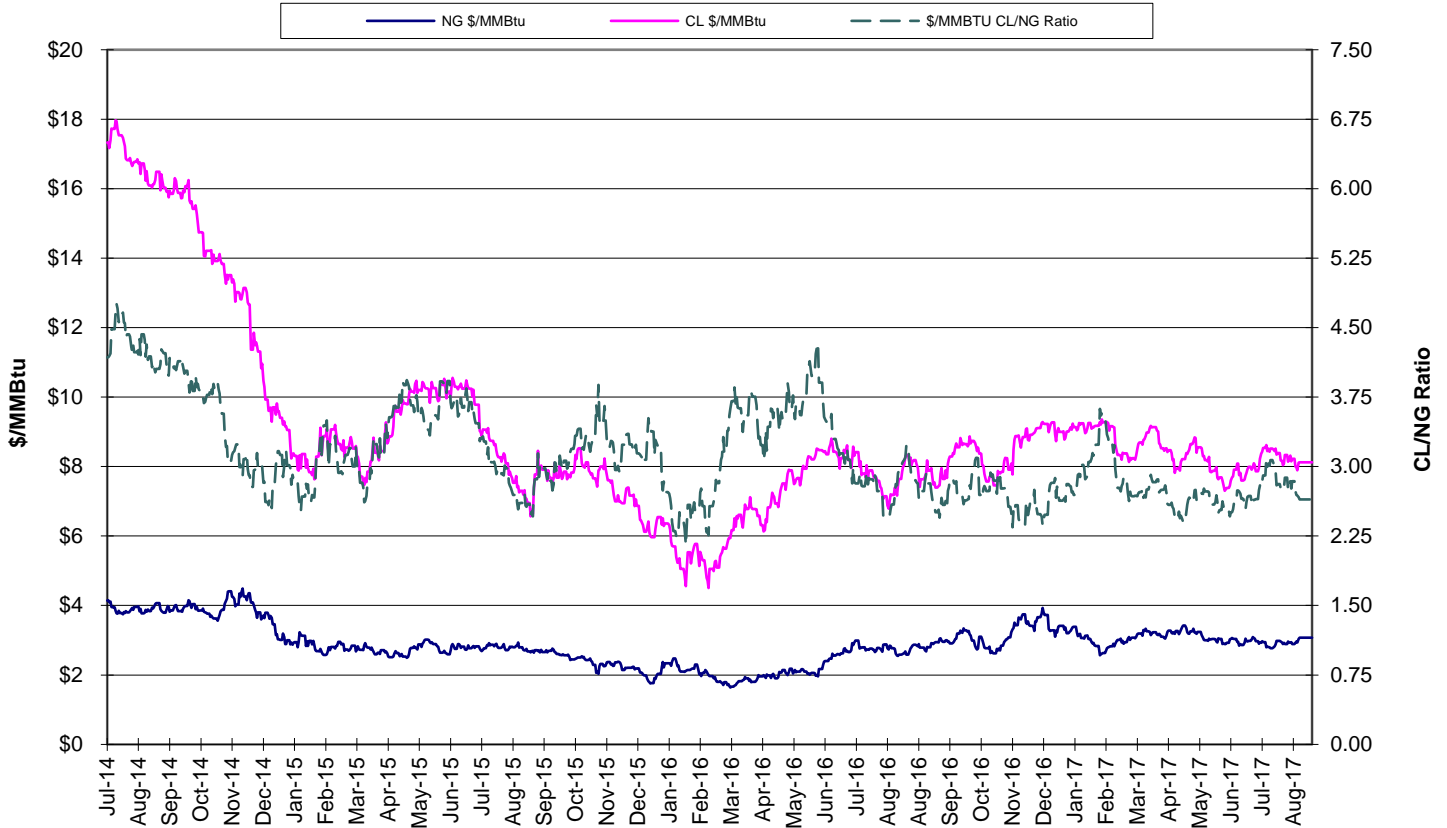
Supply Trends: Total supply rose +0.1 bcf to 72.3 bcf/d. Canadian and LNG imports were higher. US production were lower and Mexican exports were higher. LNG exports were unchanged. The US Baker Hughes rig count rose as natural gas activity increased. The total US rig count now stands at 943. The Canadian rig count fell 16 to 201. Thus, the total North American rig count fell 13 to 1,14457 and now exceeds last year by 510. The higher efficiency US horizontal rig count fell 2 to 794 and rises 399 above last year.

Demand Trends: Total demand rose 2.2 bcf/d to 68.1 bcf/d. Higher power and industrial demand offset lower R&C consumption. Electricity demand fell 2,722 gigawatt-hrs to 85,068 which trails last year by 1,794 (2.1%) while surpassing the 5-year average by 207 (0.2%).

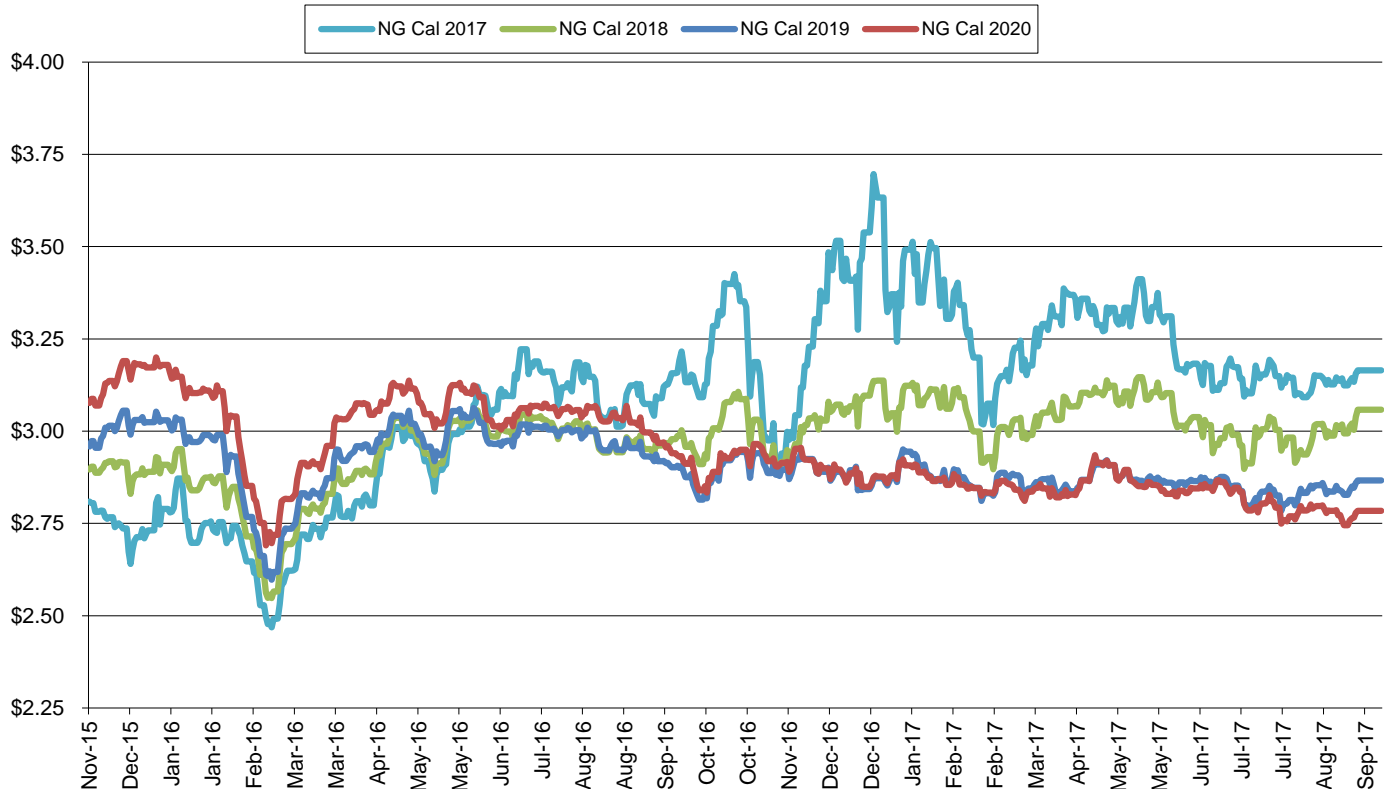
Nuclear Generation: Nuclear generation fell 1,100 MW in the reference week to 95,651 MW. This is 366 MW higher than last year and 654 MW higher than the 5-year average. Recent output was at 94,532 MW.

- The cooling season is entering its final weeks. With a forecast through September 15, the 2017 total cooling index is at 4,594 compared to 5,315 for 2016, 4,170 for 2015, 3,317 for 2014, 4,731 for 2013, 7,083 for 2012 and 6,519 for 2011.

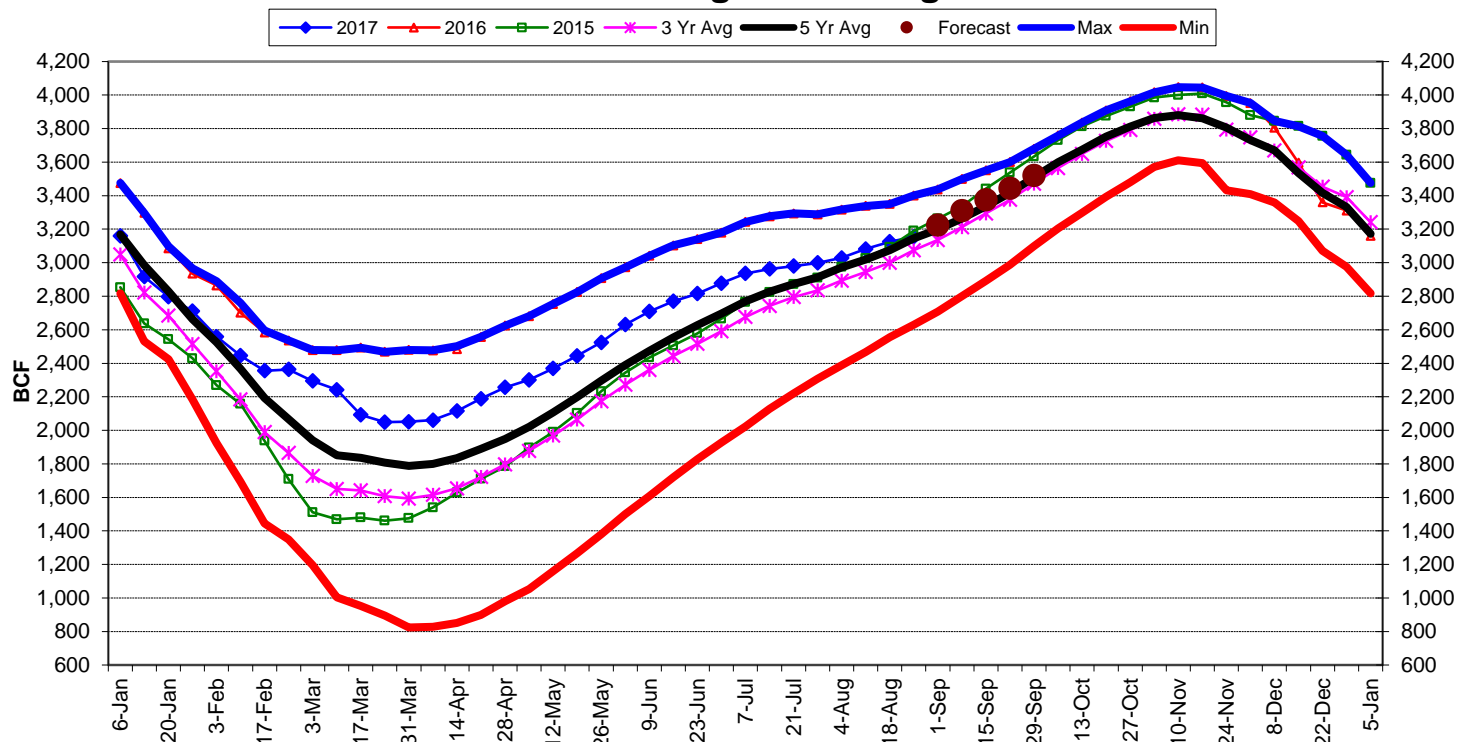
\$/MMBtu Ratio of NYMEX CL and NG



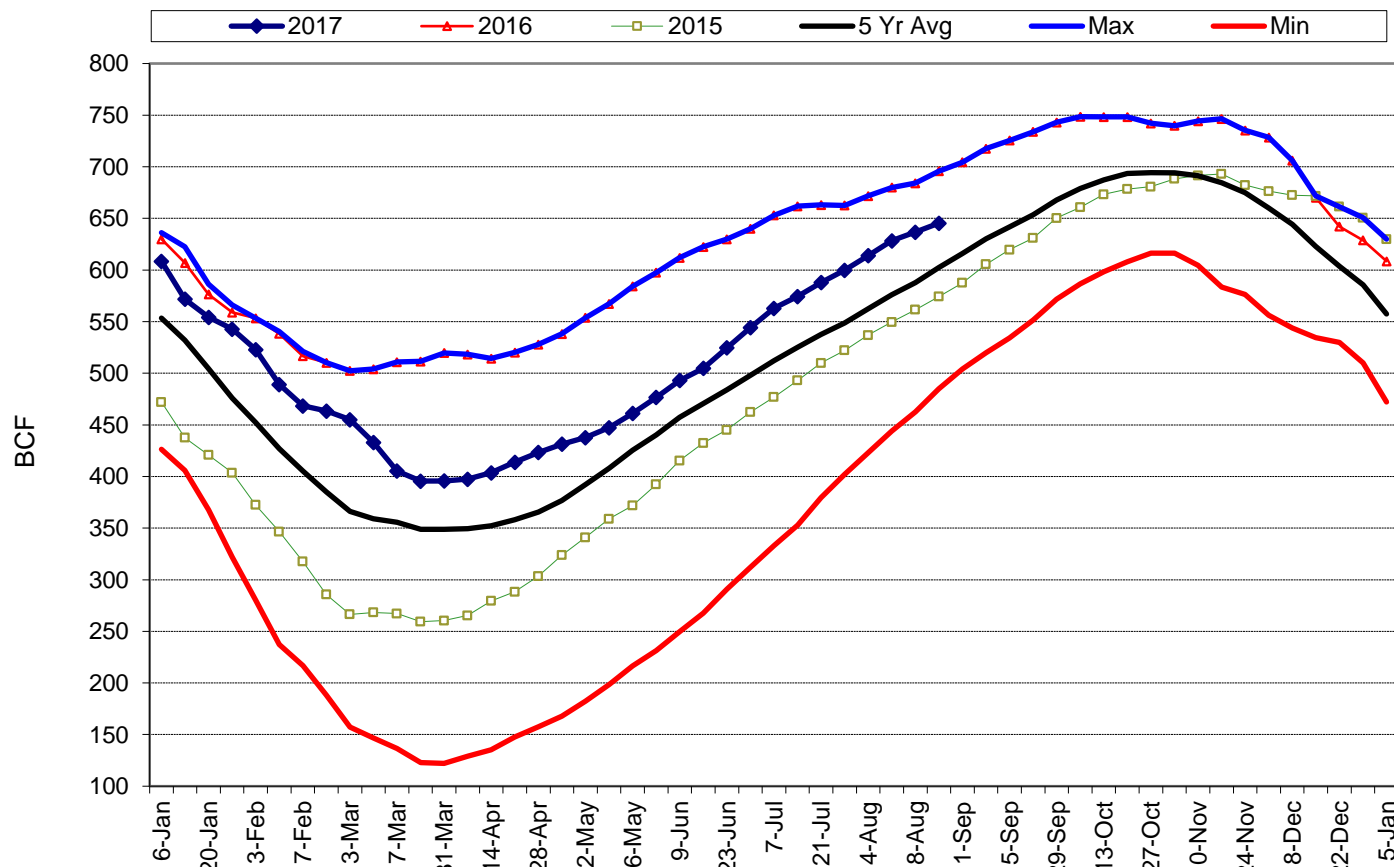
NYMEX Calendar Strips



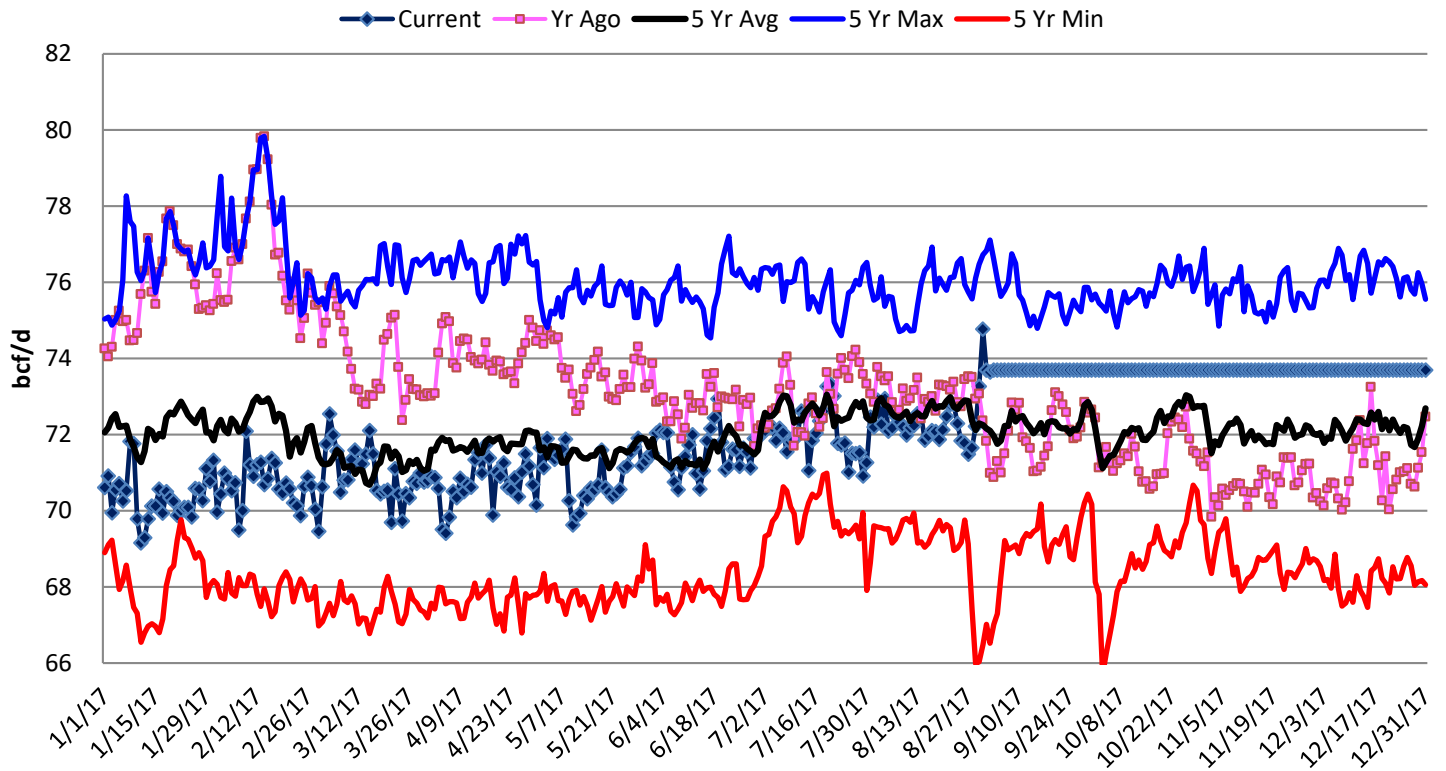
US Total Working Gas Storage - Source - EIA



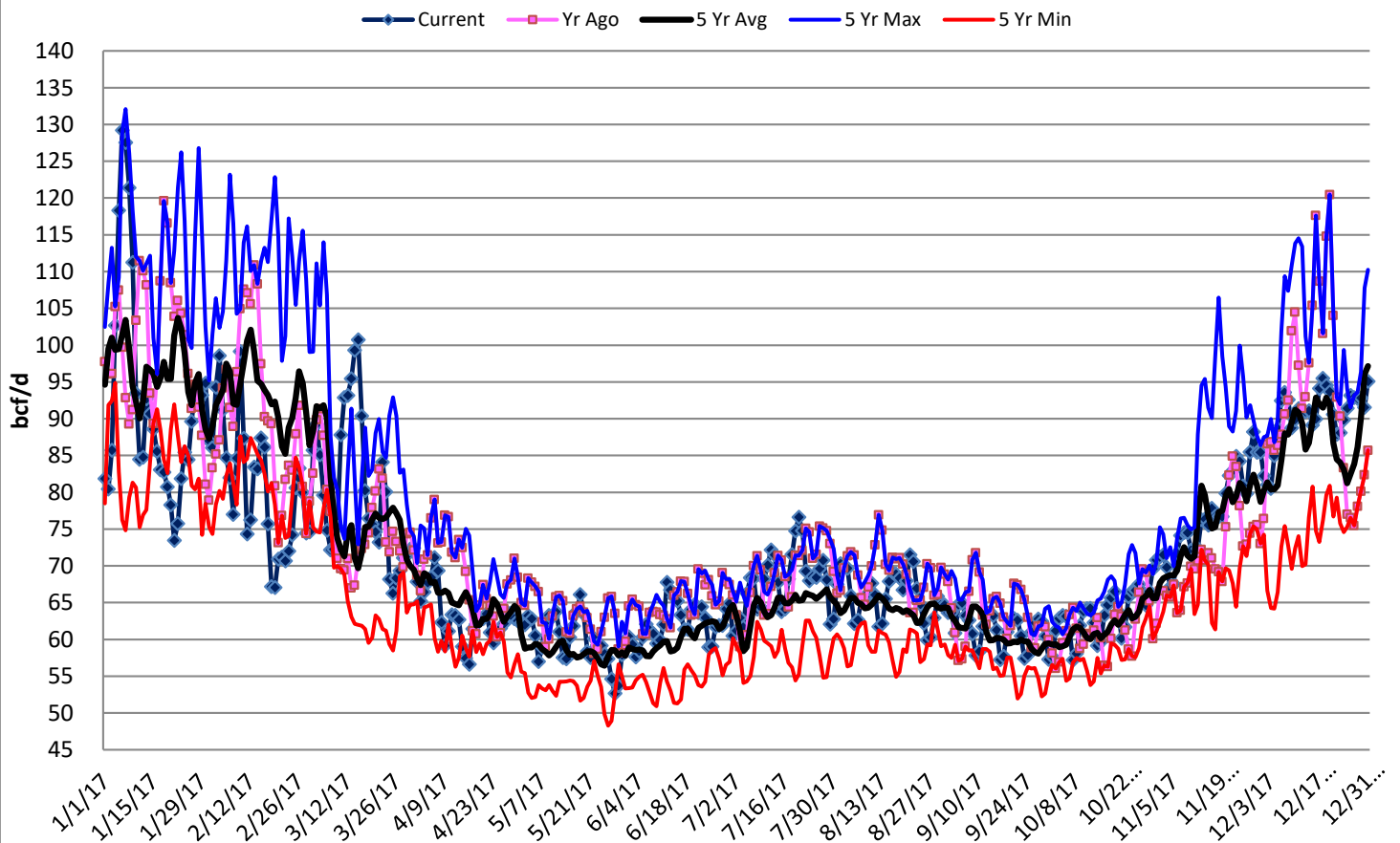
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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